



Islands Trust

2006-2007

Islands Trust Annual Report

Preserving **Island** communities, culture and environment

Islands Trust **Annual Report** 2006 – 2007

Table of Contents

Message from the Islands Trust Council Chair	4
Message from the Trust Fund Board Chair	5
Message from the Chief Administrative Officer	6
The Islands Trust Area	7
Organization & Responsibilities	8
The Islands Trust Council	8
Executive Committee	9
Local Trust Committees / Island Municipality	9
Trustees of the Islands Trust 2006-2007	10
Trust Fund Board	10
Islands Trust Legislative Structure Chart	11
 Annual Report 2006-2007 Accomplishments	 12
Strategic Plan	13
Islands Trust Area Highlights	14
Local Planning Services Highlights	18
Executive Committee	20
Trust Council Advisory Committees	25
Local Trust Committees & Island Municipality	28
Bowen Island Municipality	28
Denman Island Local Trust Committee	28
Gabriola Island Local Trust Committee	29
Galiano Island Local Trust Committee	29
Gambier Island Local Trust Committee	29
Hornby Island Local Trust Committee	30
Lasqueti Island Local Trust Committee	30
Mayne Island Local Trust Committee	30
North Pender Island Local Trust Committee	30
Salt Spring Island Local Trust Committee	30
Saturna Island Local Trust Committee	32
South Pender Island Local Trust Committee	32
Thetis Island Local Trust Committee	32
Islands Trust Fund Board	32

Islands Trust Financial Statements 2006-2007

Islands Trust Fund Financial Statements 2006-2007

Message from the Islands Trust Council Chair

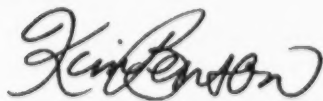
The Islands Trust Area is facing many new and growing challenges as we move forward in this century.

Our populations have more than doubled on every major island since the Islands Trust was created. Property values have doubled just since 2001, creating new issues related to community viability and affordability. Development applications have increased dramatically in recent years, although our staff levels have remained relatively constant.

We have made significant improvements to the way we consult and communicate with the public. At the same time, our communities have high expectations on many fronts, including environmental protection, growth management, governance and bylaw enforcement. This past year, we have actively represented island communities in regard to BC Ferries fare increases, offshore drilling, cruise ship sewage, sustainable aquaculture, reduction of greenhouse gas emissions, meat inspection, mining on Crown lands and at the BC Utility Commission hearings regarding a proposed Georgia Strait pipeline, a Nanaimo gas plant and a transmission line upgrade.

To address these challenges, the Islands Trust Council has worked hard to develop a Strategic Plan so that it can prioritize its objectives and focus resources in a cost-effective manner. The Strategic Plan identifies three areas where we will concentrate our energies during our 2005 – 2008 term: sustainable environment; healthy communities; and excellence in governance. We have made good progress on all three of these priorities this past year.

It has been an honour to lead the Islands Trust through these challenges and I look forward to our continuing work together in creating a legacy of sustainable, natural environments, healthy communities and excellence in governance for future generations of Islanders and for all British Columbians.



Kim Benson
Chair, Islands Trust Council
January - March 2006

Message from the Islands Trust Fund Board Chair

We are proud to have participated in the continuing maturing of the Trust Fund Board into a leading regional land trust. We continue to expand our range of conservation tools, including acquiring parcels of Crown Land and delivering the property tax incentive program known as NAPTEP.

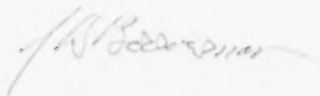
As of March 2007, the Trust Fund Board owned 18 nature reserves and held an additional 47 conservation covenants in 12 of the 13 Local Trust Areas, protecting 869 hectares (2,147 acres) of ecologically sensitive land. Following the criteria in our first Regional Conservation Plan, we are setting priorities and making decisions about covenants and acquisitions based on the latest data about island ecosystems.

At the first board meeting of 2007, we committed to seeking alternative long term funding for the board's operational needs. The board instructed staff to develop a strategy for long term funding to support the perpetual stewardship of increasing numbers of properties. Our ability to continue to receive large properties such as Free Crown Grants depends on our success at raising funds to cover the long term management of these lands.

Guided by the Regional Conservation Plan, the Trust Fund Board is working with its partners towards a goal of 15% protected area in each Local Trust Area. At the end of 2006-2007 the Islands Trust Area as a whole had reached 14% protected area. This number includes islands that are well protected, such as Saturna, Hornby and South Pender Islands, but it obscures the fact that many islands still have very little protection. Given the urgent conservation pressures on all the islands, and only a small staff and budget to work with, we are focusing most of our efforts on the islands with the smallest percentage of protected area: Denman, Gabriola, Gambier, Lasqueti, Mayne and Thetis Islands.

It is becoming clear to the boards of all land trusts that donations of land and covenants, no matter how generous the intent, can create serious long term liabilities. The Trust Fund Board's concern about this translated into three new policy directions: that we will not accept land with buildings on it, we are now seeking cash endowments with gifts of land and covenants, and we are seeking 100% cost recovery from donations associated with development applications. In the 2006-2007 period, we hired a co-op student from the University of Victoria's Public Administration Program to assist us in developing more rigorous policies, providing clearer criteria for assessing conservation proposals, and putting greater emphasis on reducing costs to the trust area taxpayer.

We look forward to another year of conservation successes, inspired by the tireless work of our island conservancy partners and the generous donations of land and cash that continue to come in from the most unexpected people.



David Borrowman
Chairperson



Sheila Malcolmson
Chairperson

Message from the Chief Administrative Officer

Since the inception of the Islands Trust, the population in the Trust Area has more than doubled. This growth has created increasing pressures and demands on the islands we serve and, as a consequence, on the Islands Trust's staff, resources and systems.

While staff numbers have not increased for many years, commitments by Trust Council, Council Committees and Local Trust Committees have grown in numbers, diversity and complexity. As a result, staff resources are spread too thinly across too many demands to perform consistently to the high standards we and our constituents expect of the Islands Trust.

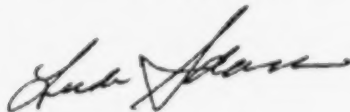
To address these challenges, consultants were retained to conduct an independent, objective Corporate Services Review. The report, completed in October of 2006, provides a set of specific recommendations that include a re-focusing of priorities and resulting demands on staff by Council and committees, provisions of additional resources for key management functions, and strengthening of a consistent human resources program that encompasses both regular performance reviews and employee recognition. The report stressed the importance of building strong connections across the Trust Area and of providing strong support for staff on Gabriola and Salt Spring, as well as Victoria. The collaboration in this process by Trust Council, the Executive Committee, management and staff made this a rewarding experience, one that challenged us and ultimately caused us to rally around our shared goals and values.

Staff Appointments

In February 2007, the Islands Trust announced that Mac Fraser had been hired as the new Director of Local Planning Services, a senior position in the organization and one that supervises professional planning staff in three offices.

Nancy Rogers joined the Administrative Services Team in October 2006 in the position of Finance Officer and Mark Brodrick and Rachel Harrison accepted positions of Island Planner in April 2006 and January 2007. Linda Prowse made the transition from an administrative employee to Planner I in August 2006.

Like local governments throughout British Columbia, the Islands Trust has put renewed energy into attracting and retaining professional staff in a very tight and fluid employment market. Fortunately, many employees are attracted to the Islands Trust because of its unique mandate. In addition, changes in management, and improvements related to staff training, recognition and supervision are ensuring that we remain an 'employer of choice'.



Linda Adams
Chief Administrative Officer

The Islands Trust Area



The Trust Area covers the islands and waters between the British Columbia mainland and southern Vancouver Island, including Howe Sound and as far north as Comox, with the exception of Texada Island. It is approximately 5200 square kilometres (2000 square miles) in size and has a resident population of approximately 25,000. Located in the Strait of Georgia and Howe Sound, the Trust Area is a unique and special place—a scenic archipelago of 13 large islands and more than 450 smaller islands and islets. The area provides habitats for an exceptional variety of species: more than 200 types of migratory and resident birds and numerous species of fish and other marine and inter-tidal life, terrestrial wildlife and vegetation. Outstanding scenery and recreational resources include panoramic viewpoints, sheltered bays, protected marine waterways and anchorages, all of which contribute to the beauty, appeal and tranquility of this area.

The unique natural environment of the islands in the Strait of Georgia and Howe Sound has given the area national recognition. Realizing this, the government of British Columbia enacted special protective legislation in 1974 entitled the *Islands Trust Act*. The *Act* states that the object of the Islands Trust is to “preserve and protect the Trust Area and its unique amenities and environment for the benefit of the residents of the Trust Area and of British Columbia generally, in cooperation with the municipalities, regional districts, improvement districts, other persons and organizations, and the government of British Columbia.”

Organization & Responsibilities

The Trust is a unique federation of independent local governments, including the Bowen Island Municipality, which plan land use and regulate development in the Trust Area. Like other communities in British Columbia, island communities elect their local representatives every three years.

Two local trustees are elected for each group of islands designated as a local trust area or island municipality. For the twelve local trust areas, the two local trustees, together with an appointed chair from the Executive Committee, are responsible for the land use decisions within their local area. For the Bowen Island Municipality, the two local trustees are part of a seven-member council that is responsible for all functions of a local government, including land use decisions. Unlike the Bowen Island Municipal Council, each local trust committee has jurisdictional authority for the smaller islands and water that surround the major island in that local trust area.

The Islands Trust consists of a number of distinct corporate entities: the Trust Council, Executive Committee, thirteen local trust committees and Trust Fund Board. The Bowen Island Municipality is also located within the Islands Trust Area. Two municipal trustees represent the Bowen Island Municipal Council on Trust Council. The Bowen Island Municipal Council has responsibilities related to the *Islands Trust Act*.

The Islands Trust Council

The twenty-six member Trust Council establishes general policies for carrying out the object of the Islands Trust. The Council also adopts an operational budget for the Islands Trust and manages the financial undertakings of all parts of the Islands Trust except for the Trust Fund, which manages its own operations. Trust Council appoints staff and auditors and adopts an annual budget. Tax levies on properties within the Trust Area are the primary funding source for the operations of the Islands Trust; additional revenue comes from a provincial grant and development application fees.

The *Islands Trust Act* requires Trust Council to implement a Trust Policy Statement that is applicable to the whole Trust Area. The Minister of Community, Sport and Cultural Development must approve the Policy Statement before it is adopted. The Policy Statement provides broad policy guidelines for Trust Council, the Trust Fund Board and the local trust committees and island municipality regarding the protection of ecosystems, the stewardship of resources and the promotion of sustainable communities. The positions and philosophy of Trust Council contained in the Policy Statement also constitute a policy framework for reference by the public and other agencies such as the regional districts of the Trust Area, the Province and its agencies.

Trust Council has three standing committees of trustees—the Local Planning Committee, Trust Programs Committee and Financial Planning Committee—which provide policy advice to Trust Council on issues referred by the Council and on committee initiatives.

Minutes of all Trust Council meetings, including resolutions, are on-line at www.islandstrust.bc.ca/tc/minutes.cfm.

Executive Committee

The Executive Committee is comprised of the Chair of the Islands Trust Council and three Vice-Chairs, who are elected for three-year terms by Trust Council from among its members. It carries out the daily business of the Islands Trust and reviews the bylaws of Local Trust Committees to ensure compliance with the Islands Trust object and Policy Statement. The Executive Committee also acts as a Local Trust Committee for that part of the Trust Area that is not included within any other Local Trust Area or Island Municipality.

Executive Committee Members

Kim Benson, Chair (Keats Island, Gambier Local Trust Area)
Giselle Rudischer, Vice-Chair (Gabriola Island)
Gary Steeves, Vice-Chair (North Pender Island)
Rose Willow, Vice-Chair (Lasqueti Island)

Local Trust Committees/Island Municipalities

A local trust committee exists for each group of islands designated as a local trust area under the *Islands Trust Act*, except for Bowen Island, which is an island municipality.

Each Local Trust Committee has three members—two locally elected trustees and one Executive Committee member, who serves as Chair. A Local Trust Committee is responsible for land use planning and regulation for its area of jurisdiction. Its responsibilities include preparation and adoption of Official Community Plans, Land Use Bylaws, zoning and subdivision bylaws, regulation of soil removal and deposit, and authorization of permits under Part 26 of the Local Government Act.

The Bowen Island Municipality is served by a seven-member Council which holds broad municipal powers including land use planning. The community elects two of the municipal councilors to Trust Council.

The *Islands Trust Act* requires Local Trust Committees to submit their bylaws to the Executive Committee for approval before adoption. Island municipalities must submit Official Community Plan bylaws to the Executive Committee before adoption. The Executive Committee also considers Island Municipality bylaws that refer to matters included in the Islands Trust Policy Statement. The *Islands Trust Act* and municipal letters patent establish procedures, should the Executive Committee not approve a bylaw or consider it at variance to the Policy Statement.

Trustees of the Islands Trust 2006-2007

Bowen

Alison Morse
Peter Frinton

Denman

Louise Bell
David Graham

Gabriola

Sheila Malcolmson
Gisele Rudischer

Galiano

Michael Sharp
Roy Smith

Gambier

Kim Benson
Joyce Clegg

Hornby

Ron Emerson
Cari St. Pierre

Lasqueti

Bronwyn Preece
Rose Willow

Mayne

Jeanine Dodds
Gary Rowe

North Pender

Ken Hancock
Gary Steeves

Salt Spring

George Ehring
Peter Lamb

Saturna

Brian Hollingshead
Tom Johnstone

South Pender

John Henshaw
Bruce McConchie

Thetis

Sue French
Peter Luckham

Trust Fund Board

The Trust Fund Board is comprised of six members: two trustees elected by Trust Council, one trustee appointed by the Executive Committee and three members appointed by the Minister of Community Services for terms of one to three years.

As the conservation land trust of the Islands Trust, the Islands Trust Fund acquires and manages land for conservation, accepts donations of land, conservation covenants and cash to help preserve places of natural significance or cultural value within the Trust Area, and undertakes stewardship education activities. The Islands Trust Fund provides tax receipts for all eligible donations.

Every five years, the Trust Fund Board prepares a Trust Fund Plan for approval by the Minister of Community Services. The Trust Fund Plan establishes policies regarding the operations of the Islands Trust Fund. The Trust Fund Board has also adopted a Regional Conservation Plan to guide its policy and operations when receiving conservation proposals, applying for Free Crown Grants, determining

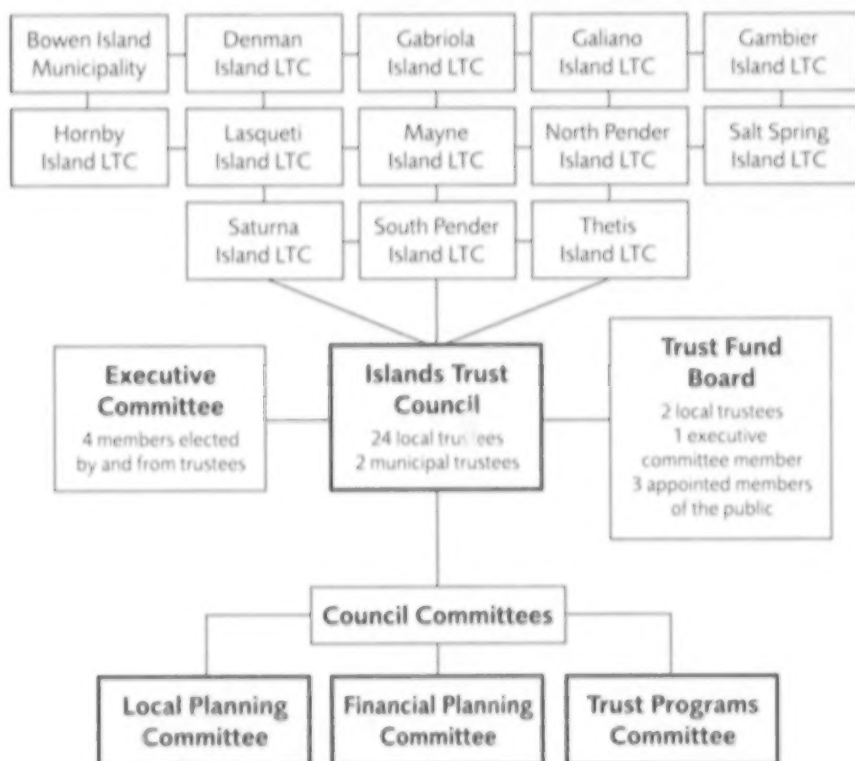
its annual work program and measuring its success in protecting natural places. The board reviews the Regional Conservation Plan annually as part of an adaptive management process.

Trust Fund Board Members 2006-2007

Sheila Malcolmson, Gabriola Island (Chair January 2007 - present)
 David Borrowman, (Appointed Member) Salt Spring Island (Chair April – December 2006)
 Peter Lamb, Salt Spring Island
 Gary Steeves, North Pender Island
 Marie Potvin, (Appointed Member) Victoria
 Bruce Whittington, (Appointed Member) Ladysmith

Islands Trust Legislative Structure

Local Trust Committees and Island Municipalities



Annual Report 2006 – 2007

Accomplishments

Strategic Plan for the 2005-2008 Term

Trust Council uses a strategic plan to set priorities and goals for each term. A strategic plan was drafted in 2006 and was updated in March 2007 to provide greater alignment between Council's strategic priorities and budget allocation. The strategic objectives of the plan are:

Goal 1: Sustainable Environment

We can create a legacy for the future by protecting our natural environment:

- We will identify areas in greatest need of protection and use the information to protect these areas through covenants, acquisitions and other tools.
- We will consider regulatory tools to protect the most sensitive environments.
- We will find ways to encourage environmental sustainability and stewardship through education and incentives.

Goal 2: Healthy Communities

Our island communities need effective and efficient government services:

- We will foster healthy, complete and livable island communities.
- We will manage growth in the Trust Area in a manner that respects our provincial mandate and the wishes of island communities.
- We work to strengthen citizen participation in local government.

Goal 3: Excellence in Governance

We will strive for excellence in governing the Islands Trust Area:

- We will provide leadership in seeking sustainable and fair forms of political representation for the Islands Trust Area.
- We will provide good value, implement fair taxes and fees and seek new and diversified funding sources to support special initiatives.
- We will strive for excellence in public service and work to attract and retain a strong and skilled workforce.
- The work undertaken by Trust Council flows from this strategic plan.

Islands Trust Area Highlights

Public Input Welcome

Many residents and property owners get directly involved with the Islands Trust by becoming members of advisory committees and commissions. Regular meetings of local trust committees and trust council are also open to the public. The Islands Trust Council meets quarterly and members of the public are welcome to attend. Community members can also participate in a town hall session, a regular forum to promote informal dialogue between islanders and trustees or make a formal presentation to the Islands Trust Council at the beginning of the town hall sessions. Twenty-eight delegations made presentations to the Islands Trust Council in 2006-2007.

Information on ongoing activities is available from notice boards on some islands, island newspapers and newsletters, trustees, staff, the Islands Trust electronic newsletter, by signing up on line to the Islands Trust subscription service, which provides regular information by e-mail, and by checking the Islands Trust web site at www.islandstrust.bc.ca.

Governance Task Force

The Province originally established the Islands Trust more than 30 years ago to protect the islands and waters in the Strait of Georgia and Howe Sound. Ever-increasing pressures from development and tourism have significant impacts on our environment, economies and communities. While the unique Islands Trust form of local government served the islands well for 30 years, the Islands Trust needs to move forward to meet current and future challenges. The Islands Trust Governance Review is a significant part of this positive and transformative process.

In keeping with the strategic plan, in April, 2006 the Islands Trust Council established a new Governance Task Force to focus on improvement to governance in the Islands Trust Area that could be achieved during the 2005-2008 term of office. The task force included 13 trustees from across the Islands Trust Area:

Louise Bell, Denman Local Trustee
Kim Benson, Gambier Local Trustee
George Ehring, Salt Spring Local Trustee
Peter Frinton, Bowen Municipal Trustee
Ken Hancock, North Pender Local Trustee
Brian Hollingshead, Saturna Local Trustee
Peter Lamb, Salt Spring Local Trustee

Sheila Malcolmson, Gabriola Local Trustee
Alison Morse, Bowen Municipal Trustee
Gisele Rudischer, Gabriola Local Trustee
Roy Smith, Galiano Local Trustee
Gary Steeves, North Pender Local Trustee
Rose Willow, Lasqueti Local Trustee

The task force developed terms of reference, determined its objectives and created a web page on the Islands Trust website to post meeting agendas and minutes, as well as relevant correspondence, background studies and links. In June, 2006 the Islands Trust council approved the task force's initial strategy focusing on:

- a) Legislative change that would increase the number of local trustees in the most populous Local Trust Area(s), while retaining at least two trustees from each Local Trust Area and Island Municipality;
- b) New political structures for integration/coordination for Local Trust Committee and Regional District decision-making;

c) Legislative change that would enable Trust Council to increase the number of Executive Committee members.

Early in 2007 the task force received a Restructure Planning Grant of \$12,500 from the Ministry of Community Services for the Islands Trust Governance Review. With terms of reference developed in consultation with the Ministry, the independent review was aimed at improving the unique local government structure established under the *Islands Trust Act*, and at improving the ability of the Islands Trust to implement its provincial mandate to "preserve and protect" the Trust Area. Gary Holman, Capital Regional District Director for Salt Spring Island, also made \$3,000 available to support the \$25,000 study.

Governance consultant Allan Neilson-Welch undertook the review, examining options to address three issues unique to the Islands Trust: the size of Local Trust Committees; the allocation of decision-making power at the Islands Trust Council table; and coordination with regional districts (with an initial focus on the Capital Regional District). The review was scheduled for completion in mid-April and will provide a basis for public consultation, planned for May 2007.

In addition to the Governance Review, the Islands Trust also considered improvements that it can make on its own, without amendments to provincial legislation. This included a review of the delivery of land use planning services and developing options for administrative, financial, and resource allocation changes. These ambitious initiatives aim to improve efficiency, effectiveness, and responsiveness at every level.

The Islands Trust and Climate Change

The potential impacts of climate change on the Trust's island communities have not been fully evaluated, but Council is turning its attention to the issue. At its meeting on Denman Island in September 2006, the Islands Trust Council approved a resolution (see below) that encourages local governments in the Trust Area to make residents and visitors alike aware of the steps they can take to reduce their greenhouse gas emissions. Council also wishes to better understand how vulnerable the Trust Area may be to climate change. Once potential changes are better understood, island communities can consider how best to adapt to them.

Trust Council also called upon the federal government to live up to Canada's commitment to reduce greenhouse gas (GHG) emissions, as promised in its ratification of the Kyoto Protocol in 2002.

Islands Trust Council Kyoto Resolution:

1. That the Islands Trust Council requests the Chair to write to the federal government and ask it to renew its commitment to the reduction of greenhouse gas emissions as established in Canada's ratification of the Kyoto Protocol.
2. That the Islands Trust Council requests the Local Planning Committee to consider the topic of adaptive planning -- including measures that Local Trust Committees could incorporate in Official Community Plans and Land Use Bylaws -- to mitigate the potential impacts of climate change.
3. That the Islands Trust Council request the Executive Committee, Local Trust Committees and the Bowen Island Municipality to take opportunities to encourage island residents and visitors to be aware of the significant impact of climate change on our communities and the natural environment and to take steps to reduce their emissions of greenhouse gases.

4. That the draft Strategic Plan include, under "Protect and Enhance the Natural Environment," adaptive planning to mitigate the potential impact of climate change.

Natural Areas Protection Tax Exemption Program

The Natural Areas Protection Tax Exemption Program offers incentives to landowners who voluntarily protect natural, historical and recreational features of their property with conservation covenants.

In 2006-2007 Trust Council issued two Natural Area Exemption Certificates bringing the total number of properties in the program to six with a combined protected area of 41.1 hectares.

After a review of the Natural Area Protection Tax Exemption Program and a subsequent resolution by Trust Council in December 2006, it became easier for applicants to participate in the program. Previously, fees for Phase 1 were \$250, or \$350 for covenant areas larger than 10 hectares. Fees for Phase 2 were \$125, or \$175 for covenant areas larger than 10 hectares. Owners of land with a NAPTEP covenant were also required to hire and pay a professional to monitor their covenant every year. Phase One fees are now \$175 and Phase Two fees are \$275, regardless of the size of the property, and there is no charge for annual monitoring.

Information about the program is available at: www.islandstrustfund.bc.ca/naptep.cfm.

Groundwater Stewardship

In December 2006, Trust Council approved the following regulation to reiterate its support for the Ground Water Protection Regulation and to suggest that the Islands Trust Area be a pilot project to ensure the protection of the groundwater resources in the Trust Area:

That the Islands Trust Council request the Chair to write a letter to the Minister of the Environment on behalf of the Islands Trust Council which includes the following:

- a statement of Trust Council's support for the B.C. Ground Water Protection Regulation,
- a request for an update on Phases 2 and 3 of the Regulations, and
- a suggestion that the Islands Trust be considered as a pilot project for the development of a water management plan(s), or other planning processes to address localized water quality and quantity issues, under Phase 3 of the Regulation, due to the limited supply of water in the Trust Area

Submission to Special Committee on Sustainable Aquaculture

The Islands Trust submitted its response to the special committee on September 26, 2006. The committee was appointed February 20, 2006 by the BC Legislative Assembly to examine, inquire into and make recommendations with respect to Sustainable Aquaculture in British Columbia. The Islands Trust wanted to ensure that the provincial government considered the Islands Trust mandate, concerns with the impact of aquaculture operations on native flora and fauna and the need for enforcement of practices in existing tenures. The Trust also recommended a review of existing regulations governing the on-site operations of shellfish farmers and of the shellfish grower's practices to ensure aquaculture operations are consistent with the mandate. Finally, it recommended a mechanism for resolution of the concerns raised regarding shellfish operations in Baynes Sound and to provide for public consultation. The submission, as well as all other correspondence from the Islands Trust Council Chair, can be viewed at the Islands Trust web site at: <http://islandstrust.bc.ca/news/chaircorrespondence11.cfm>

Islands Trust Intervener in BC Environment Assessment Process for Vancouver Island Transmission Reinforcement Project

On behalf of Trust Council, the CAO applied as a non-active intervenor in the BC Utilities Commission review of the project and applied for intervener status in the environmental review that took place in 2006. Island concerns regarding the proposed utility line were presented to the commission for consideration. The Islands Trust formally requested that, to compensate for fish habitat that would be damaged during construction of the new transmission line, the BC Transmission Corporation be required to remove derelict barges on Parker Island in the Galiano Island Local Trust Area.

The BC/Alberta Trade, Investment and Labour Mobility Agreement (TILMA)

Following presentations from concerned citizens in December 2006 about the effects of TILMA on local land use regulations, Trust Council resolved

"that if the Union of BC Municipalities' (UBCM) analysis of the BC/Alberta Trade, Investment and Labour Mobility Agreement reveals negative impacts on local government authority, then the Executive Committee convey to the Province that the Islands Trust Council opposes any legislation or agreement that diminishes its ability to achieve the object of the Islands Trust Act."

In the spring of 2007, the Islands Trust received a letter and package regarding TILMA from Minister Colin Hansen. It indicated that TILMA:

"does not restrict the ability of local governments to make bylaws that are in the best interests of their citizens, such as zoning bylaws, height restrictions or rules applying to signage. Nor does it require changes to land use decisions applying to areas like sign bylaws, building height restrictions, zoning, agricultural land reserves or parks."

UBCM is continuing to assess the agreement and to represent the interests of local governments. The Executive Committee continues to monitor the topic and will take opportunities as necessary to provide input in the future regarding TILMA.

Ten Per Cent Growth in Islands Trust Population

The Islands Trust contracts with Statistics Canada to provide it with customized data for each of the Local Trust Areas and Island Municipalities in the Islands Trust Area. These data are used for community planning purposes and reveal population trends as well as some remarkable differences between Island communities and other communities.

- The population of the Islands Trust Area grew by 10%, while the number of private dwellings on the islands grew by 6.5% between 2001 and 2006, according to data released March 13, 2006 by Statistics Canada.
- The rate of change ranged from a 2.2% decrease in the Lasqueti Island Local Trust Area to a 48% increase in the South Pender Island Local Trust Area. The greatest numerical increases in population were experienced in the Gabriola and Salt Spring Island Local Trust Areas and on Bowen Island. These three island communities also showed the greatest increases in the number of dwelling units.
- Overall, the rate of population growth in the Islands Trust Area was double the Canadian rate of 5.4% and the similar provincial growth rate of 5.3%. The area also seemed to be bucking the national trend towards urbanization indicated by the 2006 Census. Statistics

Canada also reported that on average, Canada's rural areas and small towns grew by only one per cent between 2001 and 2006. Fewer than 20 per cent of Canadians lived in small towns and rural areas in 2006.

- In 2006, the Census included a new category – private dwellings occupied by residents. There has been a concern on some islands about a decline in resident ownership of dwellings. In 2006, the rate of dwelling unit occupancy by residents ranged from 83% on Salt Spring Island, to less than 15% on Gambier Island.

Trends can be compared to those in British Columbia and Canada as a whole by viewing the Statistics Canada report *Portrait of the Canadian Population in 2006*.

First Nations Relations

Several First Nations in the Trust Area are participating in the British Columbia Treaty Process. Trust Council continued to work towards a protocol agreement with the Snuneymuxw First Nation and liaised with the Hul'qumi'num Treaty Group regarding a Political Accord and Strategic Land Use Plan. These processes are expected to lead to the signing of protocols or agreements in the next few years.

Local Planning Services Highlights

Protecting Riparian Areas

The Riparian Areas Regulation (RAR) took effect on April 1, 2006 and is a provincial regulation that provides protection to freshwater streams that support fish habitat. The regulation requires that before a local government issues a permit or adopts a bylaw that allows any land alteration for residential, commercial or industrial uses within a 30 meter riparian assessment area, an owner must submit to the Ministry a scientific assessment undertaken by a qualified environmental professional.

A model Development Permit Area bylaw for riparian area protection was presented to the Islands Trust Council at the September 2006 quarterly meeting. The model bylaw was intended to assist local trust committees to satisfy provincially legislated requirements. If a local trust committee adopts the model bylaw as a local trust committee bylaw, it will meet or exceed the requirements under the provincial Riparian Areas Regulation.

Water Report Completed

A report on the supply and demand elements of rainwater harvesting and water consumption patterns on Mayne Island was released in December. The report estimated a 20-25% increase over the next 30 years in the average residential household demand for non-potable water, although a decrease of 10% due to low water use fixtures and appliances and to increasing water conservation awareness is also predicted.

Funded by the provincial government, the report was part of a project to assess the supply and demand elements of rainwater harvesting by looking at typical Gulf Island rooftops and water consumption patterns. As the demand for water increases on the Gulf Islands, adequate water supply and storage capacity will be key factors in meeting water needs; rainwater can be a big part of the solution. The report "Rainwater Availability and Household Water Consumption for Mayne Island" is available on the Islands Trust website at www.islandstrust.bc.ca under Mayne Island Local Trust Area.

Islands Trust Aquifer Mapping Presented at Conference

The Islands Trust made a presentation on its work on aquifer mapping, in conjunction with Natural Resources Canada and BC's Ministry of Environment, at the 'Water in the City' conference, September 17–20, 2006 in Victoria, B.C. Brett Korteling, GIS Coordinator with the Islands Trust, in conjunction with Murray Journeay and Sonia Talwar of Natural Resources Canada, and Sylvia Kenny of BC's Ministry of Environment, presented a process for analyzing aquifer vulnerability to pollution and other deleterious effects and provide an overview of the groundwater monitoring and aquifer characterization activities. 900 participants attended the conference.

Enforcing Community Bylaws

In the past four years the Islands Trust has seen the annual number of active bylaw enforcement cases almost double - growing from 85 files to more than 160 files. In 2006- 2007 the number of active files increased from 135 in March, 2006 to 166 as of March 2007.

The majority of the bylaw infractions involve land use zoning contraventions, such as operating a business not allowed in a residential area. Other infractions include siting, density, short-term vacation rentals and development permits. The Islands Trust has three bylaw enforcement officers, each working three days per week.

The Islands Trust's first priority is to achieve voluntary compliance through consultation with the property owner. If that fails, the Islands Trust's lawyers send a letter regarding the violation of the bylaw and provide a reasonable time to comply. Finally, if that fails, the issue goes to litigation, which is always a last resort given the financial implications.

Within the Islands Trust Area a bylaw enforcement investigation can be triggered by a written complaint from a member of the public. A bylaw enforcement officer can also initiate an investigation if the officer observes a violation associated with a permitting process such as a development permit, and advertisement for illegal uses, or observes a negative environmental impact caused by the illegal use.

Fundamentally, the Islands Trust bylaw enforcement policies are built around a complaint-driven process. Proactive enforcement applies particularly to situations with potential for ecological damage, zoning violations associated with permitting processes and advertising of illegal land uses.

Executive Committee

Executive Committee Advocacy

In response to concerns raised by communities through their locally elected trustees, Trust Council presented a paper to the Minister of Transportation recommending changes to the *Coastal Ferry Act* and passed several resolutions.

Changes to Coastal Ferry Act Recommended

Further to two resolutions passed in March 2006, Trust Council passed the following resolution in June 2006:

That the Islands Trust Council request the Executive Committee to write a letter of concern to the Minister of Transportation requesting that the Province assume a reasonable share of the forthcoming ferry fuel surcharge.

In October 2006 the Islands Trust, representing 14 island communities that are served by BC Ferries, asked the provincial government to amend the *Coastal Ferry Act*, which changed British Columbia's public ferry system in 2003. The recommended amendments were released in a position paper presented by the Islands Trust Council to the Ministry of Transportation and supported by representatives from five of the regional districts in the Trust Area and from Bowen Island Municipality.

The legislation split the coastal ferry system into major and non-major routes. The net result was a 23.6 per cent fare increase between June 2005 and June 2006 on the non-major routes, while the major routes experienced an 11.5 per cent increase in the same period. Fare increases were to be capped but in less than a year three additional extraordinary price cap increases occurred, due to rising fuel costs.

The Island Trust Council believes the on-going fare escalations mandated by the province are having a negative effect on community members, businesses and visitors, and that amendments to the *Act* are critical to the social and economic well-being of B.C.'s ferry-dependent coastal communities.

The Islands Trust Council requested that the province contribute funding to the public ferry service on a similar basis as it contributes funding to other essential public transportation networks and infrastructure in BC.

The Islands Trust Council recommended the province make the following changes to the *Coastal Ferry Act*:

- eliminate the major/non-major route segregation in setting fare increases and using a system-wide approach to evaluating the financial performance of the coastal ferry service as a whole;
- require full and reasonable consideration of the economic and social impacts on local communities and the provincial economy as a whole, rather than just the provincial contribution to the operation of the ferry system, before increasing fares or adjusting services;

- establish more equitable sharing of price cap increases between users and the province by increasing the service fees paid by the province (similar to other forms of public transportation systems);
- expand the mandate of the BC Ferry Commission, which regulates rates, to consider the community impact of fare or service changes; and
- authorize the Commission to require the province to increase its service fee if fare or service changes are determined to have a harmful impact on coastal communities.

Council also recommended the province consult with communities to assess how well the new legislation is working as part of the review of each performance term under the Coastal Ferry Services Contract between the province and British Columbia Ferry Services Inc. Negotiations for the second contract term of the contract began in the fall.

The Islands Trust Council position paper on the *Coastal Ferry Act* is available on the website at: <http://islandstrust.bc.ca/poi/bcferriesinfo.cfm>

Support for Farming

On April 6, 2006 the Honourable Pat Bell, Minister of Agriculture and Lands, responded to the Islands Trust regarding options to maintain and enhance the meat industry while strengthening the food safety standards for meat.

Earlier Trust Council Chair Kim Benson had written to the Minister regarding the Islands Trust Council's concerns about the impact of a new meat inspection regulation on island farmers. In his response the Minister advised the Islands Trust of the provincial government's decision to provide a one-year extension to September 30, 2007 for compliance with the Meat Inspection Regulation.

The Chair wrote to the Minister again in May 2006 to thank him for the government's recognition of the industry's concerns regarding the financial effects of complying with the new regulation in those parts of the province where it did not previously apply and for the announcement of the Meat Transition Assistance Program (MTAP) to help the slaughter industry upgrade or build facilities and develop provincially-licensed capacity in areas outside currently designated meat inspection areas. Nevertheless, the Islands Trust continues to be concerned about the potential impact of the *Regulation* on small island meat producers and will continue to monitor the situation with regard to its impact on its constituents.

Support for the Environment

In March 2006 Trust Council passed the following resolution:

That the Islands Trust Council encourage local trust committees to consider use of the model Development Permit guidelines for the protection of eagle, heron, and other raptor habitat in their island communities.

The proposed model Development Permit guidelines provide local trust committees with a tool to protect species habitat in accordance with the Islands Trust Policy Statement and specifically the policies relating to Ecosystem Preservation and Protection.

Support for Water

Trust Council passed the following resolution in December 2006:

That the Islands Trust Council request the Chair to write a letter to the Minister of the Environment on behalf of the Islands Trust Council which includes the following:

- a statement of Trust Council's support for the B.C. Ground Water Protection Regulation,
- a request for an update on Phases 2 and 3 of the Regulation, and
- a suggestion that the Islands Trust be considered as a pilot project for the development of a water management plan(s), or other planning processes to address localized water quality and issues, under Phase 3 of the Regulation, due to the limited supply of water in the Trust Area.

Support for Continuing Moratorium on Off Shore Drilling

Trust Council approved the following resolution at its September 2006 quarterly meeting:

That the Islands Trust Council direct the Chair to write to the Federal Minister of Natural Resources, the Honourable Gary Lunn, concerning the moratorium on off-shore drilling and specifically request the Minister to continue the existing moratorium and enact a legislated moratorium on all oil and gas development on Canada's West Coast.

External Communication

News Releases

The Islands Trust issued 24 news releases in 2006-2007 on a wide range of subjects, including the establishment of the Governance Task Force, bylaw enforcement, public input on the annual budget, quarterly Islands Trust Council meetings and agendas, Community Stewardship Awards, land conservation and a position paper on the *Coastal Ferry Act*. Islands Trust news releases are distributed to media throughout the Islands Trust Area and outlying media interested in the area, other elected officials, other interested agencies and governments, as well as subscribers to the Islands Trust electronic distribution service.

In February 2007 Trust Council Chair Kim Benson provided a guest editorial to Islands Trust Area media, as well as the Victoria Times Colonist, on the need to improve the Islands Trust.

New Publication For Newcomers Released By Islands Trust

A new publication designed to provide information and generate awareness of the unique benefits and challenges of living on an island in this special part of the world was released by the Islands Trust in late March 2007.

The public education tool was produced in response to what the Islands Trust was hearing from island constituents, namely that there is a need for information on island life and the special considerations of living in this remarkable ecologically-rich area. *A Place In The Islands* is the result of a cross-border partnership between the Islands Trust and the San Juan Islands in Washington State. The Islands Trust has much in common with its island neighbours south of the border.

Because this is a public education tool, copies are being provided free of charge to the main target audience, namely people new to the islands, and to reference groups, such as libraries. It has also been posted on the Islands Trust web site at: <http://www.islandstrust.bc.ca/poi/apiti.cfm>.

The book includes information on a wide range of subjects, from water and energy conservation to living with wildlife, using native plants for landscaping and siting your home.

A Place In The Islands was distributed throughout the Islands Trust Area and the San Juan Islands. Copies were provided to Welcome Wagon and Newcomer's Clubs, Chambers of Commerce, conservancies, libraries and schools. Five complimentary copies were also to each realtor in the Islands Trust Area, with additional copies available for purchase.

This beautiful publication was produced by the Islands Trust, the Islands Trust Fund and the San Juan Preservation Trust, with financial assistance provided through the generosity of the Real Estate Foundation of British Columbia and the R. Bruce Bedell Conservation Fund of Washington State.

The Islands Trust Council wishes to acknowledge the many contributors to this project from our cross-border Public Advisory Group, including Joyce Bingham of Thetis Island, Tom Cameron of Gabriola Island and Marion Pape of Salt Spring Island. The entire group provided guidance to the writers and photographers. Trust Council also wants to thank graphic designer, Audra Brown of Seattle who undertook this project on a 'pro bono' basis and Kim Blanchette of Blanchette Printing in Richmond, who printed the book.

E-News

The Islands Trust quarterly electronic newsletter, subscribed to by nearly 700 people, was distributed four times during 2006-2007. The newsletter is designed for everyone interested in the activities of the Islands Trust. To subscribe, please visit: <http://www.islandstrust.bc.ca/subscribe/default.cfm>.

Website Activity

The Islands Trust website counted over 237,000 visits, and the Islands Trust Fund website was visited nearly 59,400 times. On average, there were almost 25,000 visits to the two sites on a monthly basis. In addition, more than 2,900 individuals and organizations subscribe to the Islands Trust's e-mail distribution system.

The Islands Trust's web advisory group met to consider website feedback from the public, staff and trustees. As a result, the Islands Trust and the Islands Trust Fund websites were re-built with constituents' needs in mind, which meant easier access to specific Local Trust Committee information, including bylaws, minutes, projects and agendas. The Islands Trust also made it easier for the public to subscribe to its e-newsletter, news releases and local trust committee meeting notifications. Ecosystem maps for the major islands in the Trust Area are also available on the website. These maps describe both natural and modified ecosystems across Gulf Islands landscapes and are important tools for land use decision making. The newest addition to the web site family was a Public Hearing Submission form that allows the public to send public hearing submissions electronically for more efficient processing.

Islands Trust Signs At Ferry Terminals

Six local trust committees (Salt Spring, Galiano, Mayne, North Pender, Saturna and South Pender) worked together to design two welcome signs which are now posted at the Swartz Bay and Tsawwassen Ferry Terminals. The signs provide tips for visitors to protect the special environment of our islands. The Islands Trust appreciates BC Ferries cooperation and support for the project.

Provincial Liaison

The Executive Committee continued liaising with the province regarding various aspects of the Islands Trust mandate. Meetings included the following:

A meeting with Murray Coell, MLA for Saanich and the Islands, on July 21, 2006 with regard to an update on the work of the Governance Task Force and BC Ferries issues.

A meeting with the Honourable Ida Chong, Minister of Community Services, on October 16, 2006 regarding an update on governance issues, bylaw referral procedures and timelines, provincial funding for the Islands Trust and current initiatives.

A meeting with the Ministry of Transportation, Assistant Deputy Minister of Transportation Planning and Policy Kathie Miller, about issues and recommendations regarding the First Performance Term of BC Ferries and the *Coastal Ferry Act*. The meeting included participation by the following Electoral Area Directors:

- Gary Holman, Capital Regional District (Salt Spring Island)
- Susan DeGryp, Capital Regional District (Southern Gulf Islands)
- Carol Quin, Comox Strathcona Regional District (Denman and Hornby Islands)
- Mel Dorey, Cowichan Valley Regional District (Thetis Island) and
- Berni Sperling, Regional District of Nanaimo (Gabriola Island)
- Lee Turnbull, Sunshine Coast Regional District (Gambier and Keats Island)
- Garry Nohr, Sunshine Coast Regional District (Thormanby Island)

Other liaison highlights included:

San Juan County

The Islands Trust Council hosted an annual meeting in June 2006 with the elected Council of San Juan County in Washington State to discuss issues of mutual interest and concern to island communities in the Georgia Basin, including a presentation on the San Juan County Ecosystem-Based Management Initiative. Council also met with the San Juan County in December to identify common island planning issues and solutions.

Islands Trust and the Union of British Columbia Municipalities Annual Convention

Chair Kim Benson and Vice-Chairs Gary Steeves, Gisele Rudischer and Rose Willow represented the Islands Trust Council at the Union of BC Municipalities (UBCM) Convention in Victoria, October 23-27, 2006. Islands Trust staff Chief Administrative Officer Linda Adams and Director of Administrative Services Craig Elder also attended the convention.

Continuous Learning

As part of Trust Council's plan for continuous learning, the Executive Committee arranged presentations during Trust Council quarterly meetings from the following organizations:

- The Agricultural Land Commission (ALC) presented on legislative authority of the ALC, land use planning approvals involving local government review and a review of some case files in the Islands Trust Area that required ALC approval.

- The Qualicum Institute gave a presentation entitled "Sustainability: the Possibilities are Endless", which examined sustainability issues and introduced thought-provoking ideas about effective ways and means of achieving a sustainable society.
- The Ministry of Transportation South Coast Regional Director provided an overview of the Ministry's role in island communities, including road planning and standards, the subdivision approval process and the Ministry's current views on transferring the subdivision review function to regional districts and the Islands Trust.
- The Private Managed Forest Land Council presented information on the way that Private Managed Forest Land legislation interacts with local government land use regulations.
- Parks Canada provided an update on the ongoing feasibility study that will determine if the Southern Strait of Georgia is a suitable candidate to include in the system of national marine conservation areas. Council also received an update on accomplishments and priorities for the Gulf Islands National Park Reserve.
- The Garry Oak Ecosystem Recovery Team provided trustees with information about the long-term and short-term goals for recovery of Garry oak habitat.
- The Ministry of Environment gave a presentation on the multi-agency approach to drinking water source protection in British Columbia and spoke about the *Drinking Water Protection Act*.

Formal Complaints Received

Islands Trust policy required the reporting of any administrative fairness complaints received each year. In 2006-2007, one complaint was received in regards to an Agricultural Land Reserve application.

Trust Council Advisory Committees

There are three standing committees of Trust Council members appointed by the Chair, which advise on policy matters.

Local Planning Committee

Members:

Louise Bell, Denman Island (Chair)
 John Henshaw, South Pender Island
 Peter Luckham, Thetis Island
 Gary Rowe, Mayne Island
 Gisele Rudisher, Gabriola Island (Executive Committee Representative)
 Michael Sharp, Galiano Island

Local Planning Services Review

A review of planning services in the Islands Trust was undertaken in the spring of 2007 by Stantec Consulting Ltd. The review was presented to the Islands Trust Council in March. The review is

identified in Trust Council's Strategic Plan as one of the focus areas for achieving Council's objective of "Excellence in Governance." The review is intended to provide management with recommendations regarding ways that the Local Planning Services Unit could more effectively and efficiently meet the Islands Trust's mandate to preserve and protect the Islands Trust Area.

Trust Programs Committee

Members:

Sheila Malcolmson, Gabriola Island, Chair
Jeanine Dodds, Mayne Island
George Ehrling, Salt Spring Island
Ron Emerson, Hornby Island
Sue French, Thetis Island
Peter Frinton, Bowen Island
Brian Hollingshead, Saturna Island
Roy Smith, Galiano Island
Rose Willow, Lasqueti Island (Executive Committee Representative)

Groundwater Stewardship

The Islands Trust continued its participation in the Watershed Protection Steering Committee, initiated in 2005. The intent of this initiative is to facilitate regional and provincial activities related to watershed management and drinking water protection on Vancouver Island.

Private Well Network – Pilot Project

At the September 2006 quarterly meeting, Trust Programs Committee requested that Trust Council request trustees to ask community groups to consider engaging in a pilot project to further pursue water quality mapping through a Private Well Network Initiative. Community groups were asked to consider participating in a pilot project to construct and update a map of water quality in an area. The mapping would be used by the Islands Trust as a predictive tool in land use decision and water quality preservation work.

Vacant Crown Land Profiles

In 1999, the Vancouver Island Interagency Management Committee coordinated the Public Lands Strategy to provide certainty regarding the future use of vacant Crown land in the Trust Area. Provincial agencies participated in the study of the parcels and in community meetings. The process produced accurate inventory and mapping of vacant Crown land in the Trust Area, a collation of existing data for each parcel and a technical analysis of future land use potential. Following community meetings, the Islands Trust made a commitment to return to island communities with more detailed profiles that incorporated agency information, additional information from published reports and local knowledge presented during the consultation process. The intention of the Vacant Crown Land Profiles is to represent the most complete collation of current knowledge regarding vacant Crown land parcels in the Trust Area.

The preparation of the Phase I Vacant Crown Land Profiles including Hornby (July 2003), Denman (July 2004), Lasqueti (March 2005) and Galiano (January 2006) Islands, is now complete. Vacant

Crown Land Profiles are available on the Islands Trust website. Each profile was subject to a community review process including First Nations, community groups and government agencies.

2006 Community Stewardship Awards

The Islands Trust Council selected the recipients of the fifth annual Community Stewardship Awards during its quarterly meeting on Saturna Island, June 15, 2006.

The award program is designed to honour dedicated individuals and groups who have donated countless hours to the stewardship of the islands in the Trust Area. The awards acknowledge the contributions of groups and individuals towards improving the community, culture or economic sustainability of an island.

The group awards went to:

- Michelle Marsden and the BC Coastal Clean Up Campaign on the Pender Islands for the removal of marine wrecks and beach cleanup
- Salt Spring Island Conservancy for the Mount Erskine Campaign to create Mount Erskine Provincial Park.

The individual awards went to:

- Bob Burgess, Gulf Islands Rainwater Connection Ltd. of Thetis Island for his work on rain water harvesting
- Ann Johnston of Mayne Island for her work on recycling on Mayne Island.

A total of eight individuals and groups were nominated for the awards this year from six islands – Gabriola, Mayne, North and South Pender, Salt Spring and Thetis. The nominees' projects included rainwater harvesting, land conservation, recycling, the Sensitive Ecosystem Inventory, wildlife tree stewardship and beach cleanup.

Financial Planning Committee

Members:

- Tom Johnstone, Saturna Island (Chair)
- Kim Benson, Gambier Island (Executive Committee Representative)
- Brian Hollingshead, Saturna Island
- Peter Lamb, Salt Spring Island
- Alison Morse, Bowen Island
- Gary Rowe, Mayne Island
- Gisele Rudischer, Gabriola Island (Executive Committee Representative)
- Gary Steeves, North Pender Island (Executive Committee Representative)
- Rose Willow, Lasqueti Island (Executive Committee Representative)

Financial Plan

The Islands Trust Council approved a new annual budget for 2006-2007 which maintained current operations and addressed decreased funding from the provincial government, forecast inflation, increased legal costs to defend local bylaws, and an anticipated salary settlement for staff in the BC Government Employees Union (BCGEU).

In total, the Islands Trust budget approved for 2006-2007 was \$4.7 million, representing an increase of approximately \$477,000 over the 2005/06 expenditures. 75% of the increase is primarily related to non-discretionary factors such as the salary settlement and reduced grant from the province.

To accommodate the overall budget requirements Council endorsed an average increase in property tax of \$7.64 per \$100,000 of assessed property value or 11.8 %. This meant a property tax increase of approximately \$23.00 for a typical trust area residential property assessed at \$300,000, for a total of about \$217.00 for Islands Trust taxes this year.

The 2006-2007 budget was extraordinary because of non-discretionary increases imposed by the province that year. It was a challenge to ensure the Islands Trust had sufficient funding to fulfil its provincially legislated duties and responsibilities under the *Islands Trust Act*, and to manage development on the islands in a way that preserves and protects the unique nature of the trust area on behalf of all British Columbians.

Trust Council debated the proposed budget recommendations and voted on the budget during the regular business meeting on March 10. The Islands Trust solicited and received public input on the proposed budget in late February and early March.

Local Trust Committees and Island Municipalities

Islands Trust taxes represent approximately 10–15% of the total property taxes paid by property owners in the Islands Trust Area (or about 2.5% of the tax total for Bowen Island property owners). While taxes are the major source of revenue for the Islands Trust, it also receives funds through the grant from the provincial government and special user charges, such as application fees.

There is a local trust committee for each group of islands designated as a local trust area by regulation under the Islands Trust Act. A local trust committee is responsible for advancing the object of the Act through land use planning and regulation for its area of jurisdiction.

Day-to-day planning activities of Local Trust Committees and Island Municipalities included: application processing; public, agency and trustee inquiries; Local Trust Committee or Municipality meetings; and Board of Variance support.

Bowen Island Municipality

Councillors Allison Morse and Peter Frinton represented Bowen Island Municipality on the Islands Trust Council. Bowen Island Municipality produces its own annual reports, which can be found online: <http://www.bimbc.ca/>

Denman Island Local Trust Committee

The Official Community Plan and Land Use Bylaw review were the LTC's top priority. The process to consider expanding the NAPTEP program to include the Comox Regional District was initiated. Work commenced on drafting the Official Community Plan and Land Use Bylaw amendments to allow portable sawmills on lots of ten hectares or larger.

Gabriola Island Local Trust Committee

The committee completed a public process on a new Official Community Plan and Land Use Bylaw for Mudge and Link Islands, which was submitted to the Executive Committee in the spring of 2007.

Official Community Plan and Land Use Bylaw amendments were adopted, allowing bulk water sales if approved by a Temporary Commercial Use Permit. New regulations were adopted that allow temporary commercial use permits to be issued for commercial short-term vacation rentals. Work also began on a review of the home occupation regulations in the Gabriola Land Use Bylaw.

The Gabriola Island Local Trust Committee's Protocol Agreement with the Regional District of Nanaimo was reviewed and signed on July 27, 2006, replacing the October 1996 agreement. In the agreement, the two parties agree to "recognize each other's jurisdictions and capabilities with a commitment to promote a spirit of partnership through joint legislative, policy, program and communication initiatives, and to coordination of planning, servicing and growth management activities." The agreement makes specific reference to community planning, park planning and parkland acquisition, school site acquisition, servicing arrangements and administrative arrangements.

At the same time, the process to consider expanding the NAPTEP program to include the Nanaimo Regional District was initiated. A density transfer application was completed that resulted in 700 acres being transferred to the regional district for park. The Eagle Perch Tree Mapping Project began.

Work also began on a Protocol Agreement between the Gabriola Island Local Trust Committee and the Snuneymuxw First Nation.

Galiano Island Local Trust Committee

The Galiano Local Trust Committee (LTC) considered numerous applications and adopted a rezoning for a large resort at Sturdies Bay. Subsequently, the Committee considered a strata conversion application for the same property. The LTC also began work on the issue of short-term vacation rentals, and it examined and subsequently rejected the idea of a municipal ticketing bylaw.

The LTC withdrew the Road Network Bylaws from further consideration by the Province and suggested that further consideration of the road network proposals be in association with the Forest Lands OCP Policy Review. Phase 1 of the Forest Lands OCP Policy Review was completed with agreement to a process and Phase 2 was initiated with the assistance of professional facilitators. In December 2006, the facilitators removed themselves from the process and the process concluded without success. The LTC then redefined their work program to review the Forest 1 zone and proceeded with public consultation.

Other initiatives included a request for a meeting with the Private Managed Forest Land Council and examination of various OCP amendments.

Gambier Island Local Trust Committee

Work began on the Official Community Plan and Land Use Bylaw for Associated Islands and a contractor was hired to assist in the initial stages. The LTC also adopted amendments to implement the Official Community Plan, focusing on Large Lot Residential, waste and water and public use lands, and began work on drafting a Land Use Bylaw.

It also continued to work on a major rezoning application to implement the Land Use Contract on Keats Island and undertook a public process regarding miscellaneous amendment bylaws for Keats Island. In addition to the regular meetings on Gambier, Keats and in Gibsons, the LTC began holding one meeting per year in West Vancouver to better connect with residents on Bowyer and Passage islands.

Hornby Island Local Trust Committee

A report regarding the establishment of a new zone to create a subdivision intended for affordable housing was completed.

Lasqueti Island Local Trust Committee

A new Official Community Plan and Land Use Bylaw were adopted on October 25, 2006. Islands Trust staff began to work with the Trust Fund Board regarding guidelines for Free Crown Land Grant Program.

Mayne Island Local Trust Committee

Mayne Island adopted its new Official Community Plan. The committee also addressed a number of development applications. The public was advised by public notice that short-term vacation rentals are not in compliance with land use regulations.

North Pender Island Local Trust Committee

The committee focused on their Official Community Plan review and included an update of the ecosystem mapping. The application of development permit designations was discussed. New bylaws for James Island were introduced and presented at a public hearing held in February 2007. The LTC developed a communications policy and announced their position to enforce regulations that prevented short-term vacation rentals. A number of development applications were considered during the year and a Municipal Ticketing Information Bylaw was adopted.

Salt Spring Island Local Trust Committee

Salt Spring Island Official Community Plan Review

Following a number of community meetings, round tables, advisory group input, focus groups and a questionnaire designed to solicit public input in 2006-2007, the Salt Spring Island Official Community Plan Review was well underway in the spring of 2007. In April, six focus groups presented their recommendations for public input on the following areas: population, housing and settlement patterns; economic sustainability, jobs and tourism; environment; potable water; Ganges Village and Ganges Harbour; and Fulford Village.

Vacation Rentals

In 2006, the Salt Spring Island Local Trust Committee confirmed it would uphold long-standing Official Community Plan policies and the existing Land Use Bylaw, which prohibit renting private homes in residential zones for fewer than 30 days, and directed Islands Trust staff to enforce the

bylaw. The bylaw does not affect bed and breakfasts, or commercial resorts, hotels and motels, all of which are widely available on the island. People may continue to rent cottages as part of a bed and breakfast operation. They may also continue to rent their residential properties for periods longer than 30 days to one tenant. Property owners were notified by mail and through advertising in local newspapers to ensure that people are aware of the bylaw and its enforcement. Property owners who fail to bring their property into compliance could face legal prosecution or fines of up to \$200 per day. The enforcement also applies to advertising short-term vacation rentals in residential neighbourhoods.

Shoreline Zone Amendments Adopted (2006-2007)

Bylaw 413 brought in an amendment to the shoreline zones, clarifying that foreshore lease areas are intended to support uses accessory to upland properties. Prior to the amendment, several owners considered that the zoning may allow an assortment of unrelated businesses. The amended bylaw was adopted in 2006.

Trust Partnership in the Community Action on Energy Efficiency Pilot Project (2006-2007)

This pilot project was initiated in 2006, spearheading action to reduce greenhouse gas emissions. The Community Energy Strategy Committee and the Earth Festival Society received funding through provincial grants to enhance community understanding of energy efficiency and to explore incentives such as density bonus provisions for green buildings. The information from the Community Action on Energy Efficiency Pilot Project and accompanying projects was utilized by trustees and planning staff and incorporated into a section on energy efficiency in Phase I of the Official Community Plan review.

Soil Removal & Deposit Bylaw

Work began on updating the management of soil removal and deposit regulations on Salt Spring Island with the objective of replacing the Capital Regional District Soil Removal Prohibition Bylaw. A proposed Islands Trust bylaw is being considered in light of community objectives, provincial regulations and the practices of neighbouring communities.

Board of Variance Bylaw No. 415 Adopted

The Board of Variance Bylaw dated from 1978 and required updating to reflect current procedures governing the membership and procedures for a Board of Variance. The new Board of Variance Bylaw 415 came into effect in 2006.

Draft Housing Agreement Template for Affordable Housing

Work was undertaken to draft a template housing agreement that would provide certainty to affordable housing proponents. The agreement addresses operating conditions designed to ensure that housing would remain affordable to its intended residents over the course of time.

Community Housing Task Force

In 2007 a Salt Spring Community Housing Task Force met to address community housing issues, including affordable housing.

Saturna Island Local Trust Committee

The committee worked on the development of an enforcement policy for short-term vacation rentals and for the use of travel trailers. Heritage designation was considered for the community hall and the LTC addressed a number of rezoning initiatives.

South Pender Island Local Trust Committee

The committee addressed a number of development applications as well as the Poets Cove rezoning application for the marina area. The LTC also received a presentation from the Pender Island Parks Commission. A number of initiatives were undertaken to support community initiatives such as fire hall improvements, notice boards etc.

Thetis Island Local Trust Committee

The committee addressed a number of development applications including development on associated islands that do not have any land use bylaws in place. Some public envisioning meetings were held early in the year as a preliminary step to an Official Community Plan review that is scheduled to commence in April 2008.

The LTC endeavored to maintain and deepen respectful relationships with the Lyackson First Nation. Currently in process is the updating and revising of the information sharing Protocol Agreement with Lyackson.

Trust Fund Board



Islands Trust Fund

Creating a legacy of special places

The Trust Fund Board administers the Islands Trust Fund, a conservation land trust established in 1990 to preserve and protect unique ecological features in the Islands Trust Area. As one of British Columbia's leading conservation trusts, the Islands Trust Fund works with Trust Area communities to protect special places in perpetuity through voluntary land donations, conservation covenants, land acquisition and stewardship education.

At the end of 2006-2007, the Trust Fund Board owned 18 nature reserves and held an additional 47 conservation covenants in 12 of the 13 Local Trust Areas, protecting 869 hectares (2,147 acres) of ecologically sensitive land.

Conservation Covenant Donations in 2006-2007

Barrineau NAPTEP Covenant, Galiano Island

This covenant protects 1.76 hectares (4.4 acres) of young forest and a creek and its riparian zones, and helps to create a protected area network on Galiano Island. It is adjacent to another covenanted area protected by the Galiano Conservancy Association and The Land Conservancy of British Columbia and is near several protected areas including Bodega Ridge Provincial Park and Laughlin

Lake. This covenant came to the Trust Fund Board through the Natural Area Protection Tax Exemption Program.

Little D'Arcy NAPTEP Covenant, Little D'Arcy Island, North Pender Local Trust Area

This eight hectare (20 acre) covenant protects 95% of Little D'Arcy Island. The island, located south of Sidney Island and east of Central Saanich on Vancouver Island, is possibly the most pristine and biologically diverse island in the region. The property also has an interesting history spanning from early First Nations use to a former holding facility for Chinese immigrants afflicted with leprosy from 1907 until 1912. This covenant also came to the Trust Fund Board through the Natural Area Protection Tax Exemption Program.

Vogt Covenant, Salt Spring Island

The Andreas Vogt Nature Reserve (29.9 hectares or 73.8 acres) was donated to the Salt Spring Island Conservancy in 2002 as an ecological gift under Canada's federal tax incentive program. The Trust Fund Board now co-holds a covenant on the property with The Land Conservancy of BC. The reserve is being managed by the Salt Spring Island Conservancy to protect the land's Garry oaks, arbutus and wetland areas. In co-operation with the Salt Spring Island Trail and Nature Club, the Conservancy built a trail on the land with beautiful views of the Gulf Islands, Fulford Harbour, as well as Mt. Maxwell, Mt. Tuam, Mt. Bruce and Mt. Sullivan.

Land Donations in 2005-2006

David Otter Nature Reserve, Bowen Island

Bowen Island residents Neil Boyd and Isabel Otter donated three hectares (7.4 acres) of forested land to the Trust Fund Board as part of a neighbourhood rezoning and subdivision process. Despite logging of the land in the early 1900s, old coastal Douglas-fir trees remain. Numerous wildlife trees in the nature reserve offer nesting cavities and feeding areas to owls, eagles, hawks and a variety of songbirds. The reserve borders Crippen Park, owned by the Greater Vancouver Regional District. As part of the preservation effort, the Bowen Island Municipality holds a conservation covenant on the nature reserve. The property is named after the donors' son, who enjoyed the area in the late 1970s and early 1980s. The donation qualified as an ecological gift under Canada's federal tax incentive program.

2005 -2006 Free Crown Grant Program

Through the Province of British Columbia's Free Crown Grant program, Trust Council and the Trust Fund Board work together to seek the sponsorship of the Minister of Community Services for parcels of Crown Land in the Islands Trust Area. When a Trust Fund Board application is granted, the title of the property is received by the Trust Fund Board and its ecological values are protected in perpetuity as a nature reserve.

Free Crown Grants

Elder Cedar (S'ul-hween X'pey) Nature Reserve, Gabriola Island

This 65-hectare (162 acre) forest is the first Free Crown Grant the Trust Fund Board received from the Province of British Columbia. This special property contains mixed young to mature conifer

forest, including the last remaining stand of old-growth trees on Gabriola Island. Rocky outcrops, several streams and additional smaller wetland complexes are scattered throughout the reserve, providing high biodiversity values to the property. Island residents worked for more than 15 years to have this property protected for its ecological values, the popular walking trails and for its location in the 'North Road Tunnel,' a favourite drive for locals and visitors. The property name comes from the Hul'qumi'num language. The translated word 'elder' means more than old; it has connotations of unseen ancestors and guardians.

Property Management in 2006-2007

The Islands Trust Fund inspected each of its nature reserves and conservation covenants during an annual monitoring visit to assess the character and key features of the sites, evaluate the effectiveness of the management program, identify any new issues that need to be addressed by the Board or the management group, and identify and respond to any breaches to the terms of a covenant.

The Islands Trust Fund Board also adopted a management plan for the 51.7 hectare (128 acre) Morrison Marsh Nature Reserve on Denman Island. The Denman Conservancy Association holds a conservation covenant on the property and has agreed to act as the management group for the property to help implement the management plan.

The Islands Trust Fund has a management plan in place for each nature reserve that it owns. When the Trust Fund Board receives donations of land, it consults with the donor(s) regarding any specific wishes they might have for the property and takes these comments into account in management planning.

Audited Financial Statements of

THE ISLANDS TRUST

Year ended March 31, 2007

THE ISLANDS TRUST

Audited Financial Statements

Year ended March 31, 2007

	<u>Page</u>
FINANCIAL REPORTING RESPONSIBILITY	1
AUDITORS' REPORT	2
STATEMENTS	
A Consolidated Statement of Financial Position	3
B Consolidated Statement of Financial Activities and Fund Balances	4
C Consolidated Statement of Changes in Financial Position	5
D Statement of Financial Activities and Fund Balance General Revenue Fund	6
E Statement of Financial Activities and Fund Balance Capital Fund	7
NOTES TO FINANCIAL STATEMENTS	8

FINANCIAL REPORTING RESPONSIBILITY

The accompanying statements of The Islands Trust (the "Trust") are the responsibility of management. To ensure their integrity, objectivity and reliability, management has selected appropriate accounting policies that are consistent with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The financial statements necessarily include some amounts that are based on estimates and the judgment of management with appropriate consideration to materiality.

The Trust's accounting systems and related internal controls and supporting procedures are designed and maintained to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. The procedures include training and selection of qualified staff, the establishment of an organizational structure that provides a well-defined division of responsibilities, accountability for performance and communication of standards of business conduct.

The Trust Council, acting through its Financial Planning and Audit Committees, oversees management's responsibilities for the financial reporting and internal control systems. The Committees meet periodically with management and the independent auditors to satisfy themselves that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend approval of the consolidated financial statements to Trust Council.

KPMG LLP, Chartered Accountants, the independent auditors appointed by the Trust have examined these financial statements and issued their report which follows. The auditors have full and unrestricted access to the Council to discuss their audit and their related findings as to the integrity of the financial reporting process.



Chief Administrative Officer



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AUDITORS' REPORT TO THE TRUSTEES OF THE ISLANDS TRUST

We have audited the consolidated statement of financial position of The Islands Trust as at March 31, 2007 and the consolidated statements of financial activities and fund balances and changes in financial position and the related statements of financial activities and fund balance for the general revenue and capital funds for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants

Victoria, Canada

May 4, 2007

THE ISLANDS TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

STATEMENT A

March 31, 2007, with comparative figures for 2006

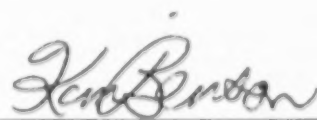
	2007	2006
Financial Assets		
Cash and short-term investments (note 2)	\$ 1,884,746	\$ 1,124,317
Accounts receivable (note 3)	55,457	256,471
Other assets	27,669	26,226
Due from The Islands Trust Fund	10,400	10,000
	1,978,272	1,417,014
Liabilities		
Wages and benefits payable	709,259	618,264
Accounts payable and accrued liabilities	353,914	140,182
Deferred revenue	73,513	60,426
Employee benefit obligations (note 4)	150,476	141,610
	1,287,162	960,482
Net financial assets	691,110	456,532
Physical assets (note 5)	1,058,026	1,041,032
Total net financial assets and physical assets	\$ 1,749,136	\$ 1,497,564
The Islands Trust Position		
General Revenue Fund (Statement D)	\$ 691,110	\$ 456,532
Capital Fund and equity in capital assets (Statement E)	1,058,026	1,041,032
Total The Islands Trust position	\$ 1,749,136	\$ 1,497,564

Commitments (note 6)
Contingent liabilities (note 7)

See accompanying notes to financial statements.

Approved by the Trust Council:

 Trustee

 Trustee

THE ISLANDS TRUST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCES

STATEMENT B

Year ended March 31, 2007, with comparative figures for 2006

	Budget 2007	Actual 2007	Actual 2006
Revenue:			
Property tax - general	\$ 4,257,877	\$ 4,257,877	\$ 3,722,765
Property tax levy - Bowen Island Municipality	156,315	156,315	125,415
Special levy	-	-	10,000
Provincial grant - operating	120,000	120,000	178,000
Provincial grant - contract signing bonus	-	-	146,028
Fees and sales	140,000	187,658	156,417
Appropriation from surplus	77,000	-	-
Interest	45,000	91,127	48,027
Other income	33,600	93,102	73,309
	4,829,792	4,906,079	4,459,961
Expenditure (note 8):			
Council services	734,280	707,781	859,566
Local services	3,381,535	3,505,238	3,098,706
Trust Fund services	568,977	458,482	448,338
	4,684,792	4,671,501	4,406,610
Excess of revenue over expenditure	145,000	234,578	53,351
Fund balances, beginning of year	1,497,565	1,497,564	1,404,992
Asset acquisitions	101,000	89,964	110,487
Asset disposals	-	(72,970)	(71,266)
Fund balances, end of year	\$ 1,743,564	\$ 1,749,136	\$ 1,497,564

See accompanying notes to financial statements.

THE ISLANDS TRUST

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

STATEMENT C

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditure	\$ 234,578	\$ 53,351
Increase (decrease) in net financial assets other than cash	525,851	(164,299)
Increase (decrease) in cash	760,429	(110,948)
Cash and short-term investments, beginning of year	1,124,317	1,235,265
Cash and short-term investments, end of year	\$ 1,884,746	\$ 1,124,317

See accompanying notes to financial statements.

THE ISLANDS TRUST

STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCE GENERAL REVENUE FUND

STATEMENT D

Year ended March 31, 2007, with comparative figures for 2006

	Budget 2007	Actual 2007	Actual 2006
Revenue:			
Property tax - general	\$ 4,257,877	\$ 4,257,877	\$ 3,722,765
Property tax levy - Bowen Island Municipality	156,315	156,315	125,415
Special levy	-	-	10,000
Provincial grant - operating grant	120,000	120,000	178,000
Provincial grant - contract signing bonus	-	-	146,028
Fees and sales	140,000	187,658	156,417
Appropriation from surplus	77,000	-	-
Interest	45,000	91,127	48,027
Other income	33,600	93,102	73,309
	4,829,792	4,906,079	4,459,961
Expenditure (note 8):			
Council services	713,070	691,588	836,364
Local services	3,307,805	3,442,263	3,018,050
Trust Fund services	562,917	447,686	441,709
	4,583,792	4,581,537	4,296,123
Excess of revenue over expenditure	246,000	324,542	163,838
Net transfers to Capital Fund	(101,000)	(89,964)	(110,487)
Change in fund balance	145,000	234,578	53,351
Fund balance, beginning of year	456,532	456,532	403,181
Fund balance, end of year	\$ 601,532	\$ 691,110	\$ 456,532

See accompanying notes to financial statements.

THE ISLANDS TRUST

STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCE CAPITAL FUND

STATEMENT E

Year ended March 31, 2007, with comparative figures for 2006

	Budget 2007	Actual 2007	Actual 2006
Expenditure (note 8):			
Council services	\$ 21,210	\$ 16,193	\$ 23,202
Local services	73,730	62,975	80,656
Trust Fund services	6,060	10,796	6,629
	101,000	89,964	110,487
Deficiency of revenue over expenditure	(101,000)	(89,964)	(110,487)
Net transfers from General Revenue Fund	101,000	89,964	110,487
Change in fund balance	-	-	-
Fund balance, beginning of year	1,041,032	1,041,032	1,001,811
Asset acquisitions	101,000	89,964	110,487
Asset disposals	-	(72,970)	(71,266)
Fund balance, end of year	\$ 1,142,032	\$ 1,058,026	\$ 1,041,032

See accompanying notes to financial statements.

THE ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2007

The Islands Trust (the "Trust") is incorporated under The Islands Trust Act of British Columbia (as amended). The objectives of the Trust are to preserve and protect the Trust area and its unique amenities and environment for the benefit of the residents of the Trust area and of the Province generally.

1. Significant accounting policies:

The financial statements of the Trust are prepared by management in accordance with generally accepted accounting principles for local governments, as prescribed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Trust are as follows:

(a) Reporting entity:

The financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position of the Trust.

(b) Revenue recognition:

Sources of revenue are recorded on the accrual basis and include revenue in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

Revenue unearned in the current period is recorded as deposits or deferred revenue.

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(c) Cost recoveries:

The Trust occasionally conducts work on behalf of development applicants on a cost-recoverable basis. The related expenses and cost recoveries are not reported as Trust expenses or revenue so that these activities do not distort the financial reporting for the Trust.

(d) Fund accounting:

Funds within the financial statements consist of the general revenue and capital funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(e) Short-term investments:

Short-term investments are recorded at cost, which approximates fair market value.

THE ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2007

1. Significant accounting policies (continued):

(f) Employee benefit obligations:

The Trust and its employees make contributions to the Public Service Pension Plan. These contributions are expensed as incurred.

Retirement allowance benefits are also available to the Trust's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under this benefit plan is accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(g) Physical assets:

Physical assets, comprised of capital assets and leasehold improvements, are recognized as expenditures in the period they are acquired. Donated capital assets are reported at estimated fair value at the time they are received. Physical assets are recorded at cost.

The Trust does not record amortization on physical assets in the financial statements.

(h) Equity in capital assets:

Equity in capital assets represents the historical cost of those capital assets. Equity increases as capital assets are acquired without incurring long-term debt or, where such debt is incurred, by the reduction of that debt. Equity decreases as capital assets are written off on disposal.

(i) Measurement uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the period. Actual results could differ from those estimates.

THE ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2007

2. Cash and short-term investments:

	2007	2006
Bank account balances	\$ 1,362,757	\$ 87,093
Term investments	521,989	1,037,224
	<u>\$ 1,884,746</u>	<u>\$ 1,124,317</u>

3. Accounts receivable:

	2007	2006
Opening balance - cost recoveries	\$ -	\$ 6,037
Expenses for the year	84,122	149,295
Cash received in the year	(89,169)	(120,490)
Closing balance - cost recoveries	(5,047)	34,842
Accounts receivable - other	60,504	221,629
Total accounts receivable	<u>\$ 55,457</u>	<u>\$ 256,471</u>

4. Employee benefit obligations:

The Trust provides sick leave and certain other benefits to its employees.

	2007	2006
Vacation	\$ 64,275	\$ 67,071
Compensatory time off	20,500	19,666
Accrued retirement allowance	65,701	54,873
	<u>\$ 150,476</u>	<u>\$ 141,610</u>

Vacation and compensatory time off represent the liability for accumulated banks for draw down at future dates and/or for payout either on an approved retirement, or upon termination or death. Accrued retirement allowance represents the Trust's share of the cost to provide employees with certain retirement allowances in the year of retirement, which were estimated by an actuarial valuation completed in March 2007.

THE ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2007

4. Employee benefit obligations (continued):

The significant actuarial assumptions adopted in measuring the Trust's accrued retirement allowance are as follows:

	2007	2006
Discount rates	6.00%	6.00%
Expected future inflation rates	3.00%	3.00%
Expected wage and salary increases	2.00%-3.00%	2.00%-3.00%

5. Physical assets:

	2007	2006
Office furniture, equipment, and computers	\$ 818,250	\$ 805,730
Denman Island Old School Site	10,000	10,000
Leasehold improvements	229,776	225,302
	\$ 1,058,026	\$ 1,041,032

Denman Island Old School Site:

In 1993/94 the Denman Island Old School Site was sold to the Trust for \$10,000, which was donated by the Denman Island Ratepayers' Association who, in turn, leased the building from the Trust for 99 years for a total fee of \$10. The Trust agreed to facilitate the sale of the school between School District #71 and the Ratepayers' Association and to hold title to the property on behalf of the community.

THE ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2007

6. Commitments:

The Trust is committed to leases over rented premises and equipment. Minimum future payments in the next five years are as follows:

	Premises	Equipment
2008	\$ 137,406	\$ 25,889
2009	53,630	24,323
2010	40,142	10,229
2011	600	-
2012	600	-

7. Contingent liabilities:

In the normal course of a year, claims for alleged damages are made against the Trust. Costs, if any, are recorded when a liability and the amount is determinable.

8. Expenditures by object:

	2007	2006
Salaries and benefits	\$ 2,684,759	\$ 2,583,090
Travel/training and recruitment	125,187	103,568
Council and trustee costs	550,148	540,619
Office operations	642,670	613,540
Programs	365,311	221,505
Legal and elections	213,462	233,801
Equipment	89,964	110,487
	\$ 4,671,501	\$ 4,406,610

THE ISLANDS TRUST

Notes to Financial Statements

Year ended March 31, 2007

9. Pension plan:

The Trust and its employees contribute to the Public Service Pension Plan (the "plan"), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration of benefits. The plan is a multi-employer, contributory pension plan. Basic pension benefits are defined. The plan has approximately 51,000 active and 30,000 retired plan members. Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation, as at March 31, 2005, indicated an unfunded liability of \$767,000,000 for basic pension benefits. The next required valuation will be as at March 31, 2008 with results available in 2009. The actuary does not attribute portions of the deficit to individual employers. Employee and employer contributions to the plan were increased by 1.88% of salaries effective April 1, 2006 in accordance with the plan actuary's recommendations. Contributions to the plan by the Trust totaled \$151,430 (2006 - \$128,379) during the year.

10. Trust fund under administration:

The Trust administers The Islands Trust Fund (the "Fund") which is related through the composition of the Fund's Board. The Fund's Board is comprised of three members from the Trust's Council and up to three members appointed by the Minister of Community Services.

For financial reporting purposes, the Trust and the Fund are reported on separately. These financial statements present the financial position and results of operations of the Trust.

The Fund's annual expenses are funded by and reported as part of the Trust in accordance with The Islands Trust Act. These expenses are summarized as follows:

	2007	2006
Programs	\$ 337,513	\$ 358,192
Board	6,068	12,087
Administration	114,901	78,059
	\$ 458,482	\$ 448,338

11. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Audited Financial Statements of

THE ISLANDS TRUST FUND

Year ended March 31, 2007



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AUDITORS' REPORT TO THE MEMBERS

We have audited the statement of financial position of The Islands Trust Fund as at March 31, 2007 and statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, the Trust Fund derives revenue from grants and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues from grants and donations was limited to the amounts recorded in the records of the Trust Fund and we were not able to determine whether any adjustments might be necessary to grant and donations revenue, excess of revenue over expenditures and Fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Trust Fund as at March 31, 2007 and the results of its operations and the changes in its fund balance for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

May 4, 2007

THE ISLANDS TRUST FUND


Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2007 Total	2006 Total
Assets						
Cash	\$ 36,214	\$ 36,368	\$ -	\$ -	\$ 72,582	\$ 69,324
Short-term investment	-	-	-	100,000	100,000	100,000
Receivables	-	12,369	-	-	12,369	5,260
Inventory	4,538	-	-	-	4,538	5,032
Land (note 2)	-	-	4,746,903	2,654,000	7,400,903	6,122,903
	\$ 40,752	\$ 48,737	\$ 4,746,903	\$ 2,754,000	\$ 7,590,392	\$ 6,302,519
Liabilities						
Due to The Islands Trust	\$ -	\$ 10,400	\$ -	\$ -	\$ 10,400	\$ 10,000
Fund Balances						
Unrestricted	40,752	-	-	-	40,752	36,269
Investment in land (note 2)	-	-	4,746,903	-	4,746,903	3,468,903
Internally restricted (note 3)	-	17,060	-	-	17,060	16,594
Externally restricted (note 3)	-	21,277	-	-	21,277	16,753
Restricted for endowment purposes (note 4)	-	-	-	2,754,000	2,754,000	2,754,000
	40,752	38,337	4,746,903	2,754,000	7,579,992	6,292,519
Contingent liability (note 6)						
	\$ 40,752	\$ 48,737	\$ 4,746,903	\$ 2,754,000	\$ 7,590,392	\$ 6,302,519

See accompanying notes to financial statements.

Approved by the Trust Fund's Board:

 Board member

 Board member

THE ISLANDS TRUST FUND

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2007, with comparative figures for 2006

	Opportunity Fund	Restricted Fund	Capital Fund	Endowment Fund	2007 Total	2006 Total
Revenue:						
Donations in cash	\$ 1,167	\$ 5,000	\$ -	\$ -	\$ 6,167	\$ 20,159
Donations of land	-	-	1,278,000	-	1,278,000	1,213,000
Rental income	-	4,750	-	-	4,750	11,250
Other income	-	-	-	-	-	14,079
Investment income	947	11,558	-	-	12,505	7,464
Sale of fundraising items	1,091	-	-	-	1,091	4,034
	3,205	21,608	1,278,000	-	1,302,813	1,269,988
Expenditures:						
Repairs and maintenance - Allon property	-	12,515	-	-	12,515	9,347
Rainwater collection and education program	-	-	-	-	-	54,237
Cost of sales of fundraising items	485	-	-	-	485	2,713
Donations to conservancy groups	-	1,930	-	-	1,930	6,174
Other	-	400	-	-	400	20
	495	14,845	-	-	15,340	72,491
Excess of revenue over expenditures	2,710	6,763	1,278,000	-	1,287,473	1,197,495
Fund balances, beginning of year	36,269	33,347	3,459,903	2,754,000	6,292,519	5,095,024
Interfund transfers	1,773	(1,773)	-	-	-	-
Fund balances, end of year (notes 2, 3 and 4)	\$ 40,752	\$ 38,337	\$ 4,748,903	\$ 2,754,000	\$ 7,579,992	\$ 6,292,519

See accompanying notes to financial statements.

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2007

The Islands Trust (the "Trust") is incorporated under The Islands Trust Act of British Columbia (as amended). The objectives of the Trust are to preserve and protect the Trust area and its unique amenities and environment for the benefit of the residents of the Trust area and of the Province generally.

The Islands Trust Fund (the "Trust Fund") is empowered to accept donations, grants and bequests on behalf of the Trust and to hold land and other property in compliance with a Trust Fund plan approved by the Ministry of Community Services.

The Trust Fund is administered by the Trust and for financial reporting purposes, the Trust and the Trust Fund are reported on separately. These financial statements present the financial position and changes in fund balances of the Trust Fund.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Fund accounting:

The Trust Fund follows the restricted fund method of accounting for contributions.

The Opportunity Fund reports unrestricted resources.

The Capital Fund reports the assets, liabilities, revenue and expenditures related to the Fund's capital assets.

The Endowment Fund reports resources that are contributed for endowment purposes.

The Restricted Fund reports the assets, liabilities, revenue and expenditures related to internally and externally restricted assets.

(b) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at estimated fair value at the date of contribution.

(c) Revenue recognition:

Restricted contributions are recognized as revenue of the appropriate restricted fund when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the Opportunity Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2007

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Contributions for endowment are recognized as direct increases in the Endowment Fund balance.

Interest income earned on Endowment Fund resources is restricted for the purpose of maintaining certain specified property and is recognized in the Restricted Fund. Interest income of internally restricted funds is recognized as revenue of the Restricted Fund. Other interest income is recognized as revenue of the Opportunity Fund when earned.

All other forms of income are recognized as revenue of the Opportunity Fund when received or receivable.

(d) Measurement uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

2. Land:

	Acquisition date	2007	2006
Inner Island Nature Reserve, Denman Island	1992	\$ 70,000	\$ 70,000
Coats Millstone Reserve, Gabriola Island	1994	100,000	100,000
Medicine Beach Nature Sanctuary, North Pender Island	1996	477,000	477,000
Cunningham Reserve, Salt Spring Island	1994	265,000	265,000
Deep Ridge Reserve, Salt Spring Island	1992	255,000	255,000
Lower Mt. Erskine Nature Reserve, Salt Spring Island	1996	284,000	284,000
Kwel Nature Sanctuary, Lasqueti Island	1997	195,497	195,497
Singing Woods Nature Reserve, Bowen Island	1999	157,000	157,000
Trincomali Nature Sanctuary, Galiano Island	2001	242,406	242,406
Horton Bayviary Nature Reserve, Mayne Island	2002	210,000	210,000
Morrison Marsh Nature Reserve	2006	438,000	438,000
Brigade Bay Bluffs Nature Reserve, Gambier Island	2006	150,000	150,000
Long Bay Wetland Nature Reserve, Gambier Island	2006	305,000	305,000
Mt. Trematon Nature Reserve, Lasqueti Island	2006	320,000	320,000
Elder Cedar Nature Reserve, Gabriola Island	2007	658,000	-
David Otter Nature Reserve, Bowen Island	2007	620,000	-
		\$ 4,746,903	\$ 3,468,903

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2007

3. Restricted Fund balances:

	2007	2006
Internally restricted:		
South and West Salt Spring Conservation	\$ 1,696	\$ 1,650
McFadden property	15,364	14,944
	17,060	16,594
Externally restricted:		
Alton Nature Reserve - maintenance fund	21,277	13,038
Chickadee Lake	-	2,484
Williams Covenant	-	1,231
	21,277	16,753
	\$ 38,337	\$ 33,347

4. Restricted for endowment purposes:

	Acquisition date	2007	2006
Alton Nature Reserve - maintenance		\$ 100,000	\$ 100,000
Alton Nature Reserve, Salt Spring Island	2002	454,000	454,000
Lindsay Dickson Nature Reserve, Denman Island	2001	2,200,000	2,200,000
		2,654,000	2,654,000
		\$ 2,754,000	\$ 2,754,000

THE ISLANDS TRUST FUND

Notes to Financial Statements

Year ended March 31, 2007

5. Related party:

The Trust is related to the Trust Fund through the composition of the Trust Fund's Board. The Trust Fund's Board is comprised of three members from the Trust's Council and up to three members appointed by the Minister of Community Services.

The Trust Fund's annual expenses are funded by and reported as part of the Trust in accordance with The Islands Trust Act. The expenses are summarized as follows:

	2007	2006
Programs	\$ 337,513	\$ 358,192
Board	6,068	12,087
Administration	114,901	78,059
	\$ 458,482	\$ 448,338

6. Contingent liability:

Two properties owned by the Trust Fund Board, the Lindsay Dickson property on Denman Island, and the Alton property on Salt Spring Island, were donated on the condition that the properties be used and managed in certain ways. The Lindsay Dickson property was donated "for so long as the land is used as a nature reserve for the use, benefit and enjoyment of the residents of B.C.". The Alton property is to be held, managed and preserved for its ecological environment and scenic features and not as a recreational park. The residence, gardens and driveway are to be preserved and managed for non-profit purposes.

In the event that these properties are not managed accordingly, the properties could revert to the Province of British Columbia in the case of the Lindsay Dickson Nature Reserve, and to the Executors of the donor's estate in the case of the Alton Nature Reserve.

7. Statement of cash flows:

A statement of cash flows has not been prepared as the cash flows are readily apparent in the accompanying financial statements.

8. Fair value of financial instruments:

The carrying value of the Trust Fund's cash, short-term investments, receivables inventory and due to the Trust approximates their fair value due to the short period to maturity of the instruments.



Islands Trust



Islands Trust Fund

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